BRITISH COLUMBIA

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tel (250) 387-0327
fax (250) 387-0329

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highlights

a weekly digest of recently released British Columbia statistics

The Economy

- **In February, shipments of goods manufactured in BC jumped 4.7% (seasonally adjusted).** This was the second consecutive monthly increase after seven months of declines. Shipments of both durable (+6.3%) and non-durable (+2.4%) goods were up. The forest sec-tor showed strong growth with shipments of both paper (+6.6%) and wood products (+10.1%) well above January levels.

  With the exception of the territories (+22.8%), British Columbia had by far the strongest growth in the country. Ontario (+1.3%), Quebec (+0.4%) and Nova Scotia (+2.8%) were the only other provinces to experience increases. Overall, Canadian shipments rose only 0.8% in February. At the same time, inventories fell 0.1%, the ninth straight month of decline. As a result, the inventory-to-shipment ratio dropped to 1.47, the lowest in over a year. *Source: Statistics Canada*

- **The value of exports of BC products rose for the second straight month in February (+1.5% seasonally adjusted).** Shipments of forest products were the main contributor to the increase, climbing 4.3% from January to February. Exports of industrial and consumer goods jumped 7%. Energy (-2.6), machinery, equipment and automotive (-5.6%) and agricultural and fishery products (-4.4%) all declined in February.

  The value of exports destined for US markets (+0.7%) showed positive growth for the third consecutive month. This is the first time since mid-1999 that there have been three straight months of export growth to the US. As with total exports, the growth in shipments to the US was led by the forest sector (+6.4%). Exports of energy products to the US declined 11.6%, offsetting an identical increase in January.

  Exports of industrial and consumer goods (+31.2%) and energy products (+12.5%) to the rest of the world increased, contributing to a 3.6% overall rise in the value of total exports to these destinations. Exports of machinery, equipment and automobiles to non-US destinations, which in January rebounded from the seven year low recorded in December, lost some of the ground gained, dropping 11.1% in February. *Source: BC STATS*

- **The value of British Columbia's mineral production jumped 14.3% in 2001, mostly on the strength of a 34.0% increase in the value of natural gas produced in the province.** Although the volume of natural gas produced also increased (+17.4%), a significant part of the growth was due to price effects. Increases in natural gas and other combustibles like coal (+16.1%), as well as non-metallic minerals (+1.4%), mitigated a decline in the value of production of metallic minerals (-10.1%). Despite increased volumes (+0.8%), the value of copper production fell 7.4%. Gold and silver production was down 4.3% and zinc production plummeted 36.5%. A drop in commodity prices for many metallic minerals was likely a significant factor in the decline. *Source: SC 26-202-XIB*

- **After a strong gain in January (+7.2% seasonally adjusted), the number of new motor vehicles sold in the province (including the territories) fell back slightly (-0.3%) in February.** This almost matched the 0.4% decline for Canada as a whole. Sales of North American passenger cars were down for the second straight month (-2.3%), but sales of overseas

Report **Canada and US in Food Fight**

Did you know...
Between 1993 and 1999 one out of every ten employed Canadians moonlighted in at least one other job during any given year.

passenger cars (+1.3%) and trucks, vans and buses (+0.4%) were up. Manitoba (+3.9%) and Saskatchewan (+3.7%) had the largest percentage increase in sales, while New Brunswick (-2.5%) and Quebec (-2.3%) experienced the most significant drops.

Source: Statistics Canada

- **Sales by wholesalers in the province fell 0.5% (seasonally adjusted) in February.** The decline in sales was modest compared to most other provinces. Canadian sales rose 0.2% between January and February, as strong growth in Quebec (+2.2%) offset weakness in other parts of the country. Quebec was the only province to post a sizeable increase in February. Sales in Ontario were virtually unchanged (+0.1%) from the previous month.

  Source: Statistics Canada

- **Receipts for restaurants, caterers and taverns in British Columbia were up 1.1% in February compared to the same month in 2001.** This is despite the fact that there were 556 fewer establishments than there were in February 2001. Both full service (+1.1%) and limited service (+3.7%) restaurants increased their receipts, but receipts for drinking places fell 1.1%. *Source: Statistics Canada*

Travel

- **The number of international travellers visiting BC in February fell 6.1% (unadjusted for seasonal variation) compared to the same month a year earlier.** The change was due to a decline in the number of American visitors to the province (-7.7% year-over-year), particularly those making day trips by automobile (-20.8%). The number of Americans travelling by car who stayed at least one night actually increased, rising 6.4% over the number for February 2001. There were also more Americans travelling to BC by plane (+6.2%). While the total number of American travellers was down, the number of visitors from other countries to BC increased 4.0% year-over-year.

  The number of Canadians returning to Canada via BC fell 22.7% in February compared to a year earlier. Total returns from the United States were down 26.1% and one-day trips by automobile fell 34.6%. For the country as a whole, 17.2% fewer Canadians returned from abroad in February. It is likely that the low value of the Canadian dollar relative to its American counterpart is the main reason for the diminished travel by Canadians. *Source: Statistics Canada*

Criminal Prosecutions

- **Expenditures on criminal prosecution in British Columbia increased 13% (after adjusting for inflation) between 1998/99 and 2000/01.** BC's per capita expenditure of $15.37 in 2000/01 was by far the highest in the country, well above the Canadian average of $10.90. Quebec ($5.16) was the province with the lowest per capita expenditure.

  British Columbia had one of the highest reported crime rates in 2000, with 11,267 reported incidents per 100,000 population, second only to Saskatchewan, which had 12,750 incidents per 100,000 people. The Canadian average was 7,595. Despite the high incidence of reported crime, BC had the lowest (15.5% compared to 23.0% for Canada) percentage of incidents in which a charge was laid. *Source: SC 85-402-XIE*

Telecommunications

- **Operating revenues for the telecommunications industry in Canada increased 5.7% in 2001.** However, operating profits, which made up 14.3% of annual operating revenues, were down 5.6% compared to 2000. Capital expenditures in telecommunications were at a record high in 2001, 27.9% over their 2000 value. Employment in the industry in the fourth quarter of 2001 was down 0.9% compared to the same quarter a year earlier. *Source: Statistics Canada*

National Wealth

- **The net worth of Canadians increased 4.8% last year, reaching $3.5 trillion, or $112,800 per person.** Consumers continued to finance their purchases by borrowing money. Last year, the ratio of consumer credit and mortgage debt to personal disposable income continued to climb, rising to a new high of 98.3%. In 1990, the ratio was just over 80%. *Source: Statistics Canada*

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For data originating from Statistics Canada: data sourced to 'Statistics Canada' has been retrieved from CANSIM, the agency's electronic database (www.statcan.ca); otherwise the source is identified as 'SC' plus the publication name or catalogue number.

Apr. 19, 2002 *Infoline Report:* **Canada and U.S in Food Fight**

Contact: Dan Schrier, (250) 387-0376
Originally published in *Business Indicators*, March 2002. Annual subscription $60 plus GST

Countries Swap Dumping Charges on Tomatoes

Note: Since the publication of this article in *Business Indicators* in March, the United States International Trade Commission has found that imports of greenhouse tomatoes from Canada do not threaten the US industry. As a result, the tariffs were lifted. The Canadian investigation of alleged dumping of US-grown field tomatoes in Canada is continuing.

The trade dispute between Canada and the United States over tomatoes is heating up. American greenhouse tomato growers filed a petition a year ago claiming that their Canadian counterparts are dumping under-priced tomatoes on the American market. On February 20, 2002, the US Department of Commerce (DOC) announced that it had determined that Canadian greenhouse tomato producers are selling their wares in the US at prices below production cost and that this is inflicting material injury upon the US industry. The DOC assessed anti-dumping duties ranging from 1.53% to 18.21% on Canadian greenhouse tomato growers. BC Hot House Foods Inc. was hit with the highest margin. This decision could have a devastating affect on the Canadian industry, particularly in British Columbia. Spurred on by consumer demand, the greenhouse tomato industry has expanded rapidly, especially in BC and Ontario, and has become a multi-million dollar industry. A duty of this magnitude could potentially destroy the domestic industry.

Canadian tomato producers have struck back with accusations that the Americans are dumping field-grown tomatoes in the Canadian market. After investigating the complaint, Canada Customs and Revenue Agency (CCRA) has determined that imports of fresh tomatoes from the US were dumped in Canada at prices that were, on average, 22% below normal levels. As a result they have imposed a provisional duty of 71% on imports of US fresh tomatoes.

To-may-to, To-mah-to: When is a tomato not just a tomato?

One sticking point in the dispute is whether tomatoes grown in a greenhouse should be grouped together with field tomatoes. Canadian tomato growers have argued to the DOC that the merchandise subject to investigation should include all tomatoes, fresh and chilled, regardless of whether they were grown in a greenhouse or outside in a field. They suggest that greenhouse tomatoes must compete alongside those grown in a field and therefore pricing of field tomatoes affects that of the greenhouse variety.

The American greenhouse tomato growers argue that tomatoes are all not made the same and cannot simply be compared regardless of how they are grown. They say that there are differences not only in production, cost, pricing and marketing, but also physically. Basically, they argue that the higher cost of production, and consequently higher price of the product, have to be justified in order to market the greenhouse variety of tomato. In essence, the tomatoes sell despite their higher price because they are better tasting and are grown using fewer (if any) pesticides and other noxious chemicals. This, in effect, differentiates them sufficiently from field-grown tomatoes such that they should be classified separately.

However, while it may be true that greenhouse tomatoes and field tomatoes are different, it does not necessarily follow that the quantity and price of field-grown tomatoes do not affect those grown in a greenhouse. If high quantities of field tomatoes flood the market driving prices down, it is not only possible, but also highly likely that some substitution effects will occur. In other words, the price differential between field tomatoes and greenhouse tomatoes will lead some consumers to decide that the merits of the greenhouse variety do not justify the added cost and those consumers will choose instead to buy the field type. As a result, the reduced demand

for greenhouse tomatoes will inevitably drive down the price. This, in essence, is the claim of Canadian tomato growers who charge that the Americans are growing tomatoes in such large volumes that it has driven the price down. In its investigation of the petition by Canadian tomato growers for duties on American field tomatoes, Canada Customs and Revenue Agency has sided with this position, classifying greenhouse tomatoes and field tomatoes as "like" goods.

Just what is so different about a greenhouse tomato?

In British Columbia, the largest organised group of greenhouse vegetable growers (and in fact, the largest in North America) is the BC Hot House Growers' Association, which has over 55 members[1]. Members of this association market their produce under the BC Hot House brand label.

Hot House tomatoes are grown in glass-covered structures of aluminum and steel in which every aspect of the plant's growth is controlled, from the amount of heat and light to which it is exposed, to the amount of nutrients it gets. One of the selling points for consumers is that these tomatoes are grown without using herbicides and minimal use of pesticides. Herbicides are not necessary because the plants are not grown in dirt, but rather use hydroponics, and therefore weeds are not a problem. Pesticides are used very rarely because most pests are taken care of using natural predators like ladybugs and wasps.

While this method of growing tomatoes tends to produce a better crop yield and, according to many consumers, tastier tomatoes, it is also a more intensive process, and therefore more expensive, which is why greenhouse tomatoes are generally priced significantly higher than field tomatoes.

Greenhouse tomatoes are a growing industry

In 2000, in British Columbia, the total value of greenhouse tomato production was $73.6 million2. For Canada as a whole, the value was $287.7 million. This industry has undergone rapid growth in the last several years and exports have followed this trend.

Exports of tomatoes to the United States from BC have skyrocketed from less than 2 million kilograms (kg) in the early nineties, to over 42 million kg in 2001. The growth of exports from Canada as a whole is even more phenomenal, from around 3 million kg to almost 106 million in 2001. Although export data specifically related to tomatoes grown in greenhouses is not available, the majority of the tomatoes exported, particularly from BC, are greenhouse grown. There were 37.7 million kg of greenhouse tomatoes produced in BC in 2000, compared to only 1.1 million kg of field tomatoes. The comparable Canadian figures are 182.4 million kg of greenhouse tomatoes and 439.9 million kg of the field variety, of which over 98 percent were grown in Ontario. Ontario was also responsible for approximately 72 percent of Canadian greenhouse tomato production.

Despite the tremendous growth in tomato exports to the US, the amount of tomatoes imported into Canada from the US is still significantly higher. Over the last decade, annual imports of American tomatoes to BC have averaged around 20 million kilograms3. The Canadian figure is approximately 130 million kilograms. In the last four years BC exports of tomatoes have exceeded imports giving BC a trade surplus with the US in tomatoes for the first time. Canada as a whole has always had a significant trade deficit with the US when it comes to tomatoes, at least in terms of quantity. This deficit has diminished rapidly in the last 10 years, from a peak of 134 million kg in 1992 to just under 35 million kg in 2001.

[1] BC Hot House Growers' Association web site (http://www.bchhga.bc.ca).

[2] Production data reported on this page is from Statistics Canada, Fruit and Vegetable Production, February 2002, catalogue 22-003.

[3] Production, February 2002, catalogue 22-003.

[4] Note that BC imports measure only the tomatoes that are cleared through BC customs ports. These tomatoes may or may not have been consumed within the province. As such, the measurement of a balance of trade between BC and the US is not entirely accurate.

Exports of Tomatoes to the U.S.

Year	British Columbia Quantity (Millions KG)	British Columbia Value Cdn $Millions	Canada Quantity (Millions KG)	Canada Value Cdn $Millions
1988	2.1	$2.7	3.3	$4.3
1989	1.0	$1.3	1.1	$1.3
1990	1.5	$1.6	3.1	$3.9
1991	1.2	$2.2	2.7	$5.2
1992	3.2	$4.0	5.2	$6.8
1993	2.7	$4.9	4.7	$8.3
1994	3.7	$7.5	7.7	$14.4
1995	3.8	$9.2	11.7	$24.6
1996	6.2	$17.9	21.8	$53.0
1997	10.2	$25.5	37.5	$84.6
1998	19.6	$53.2	61.7	$153.0
1999	29.4	$70.6	79.6	$180.1
2000	38.8	$98.2	101.4	$244.0
2001	42.5	$101.7	105.7	$263.1

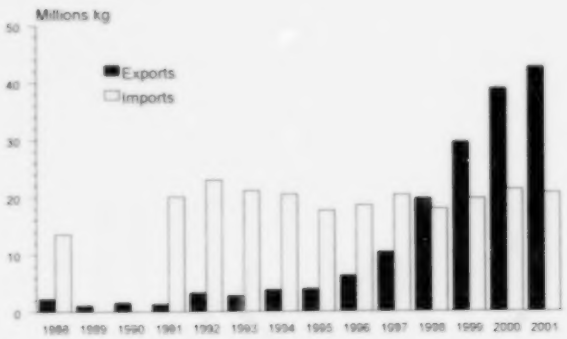
Source: Statistics Canada

Imports of Tomatoes from the U.S.

Year	Cleared Through British Columbia Quantity (Millions KG)	Cleared Through British Columbia Value Cdn $Millions	Canada Quantity (Millions KG)	Canada Value Cdn $Millions
1988	13.5	$12.0	110.9	$97.4
1989	19.5	$13.7	130.5	$107.1
1990	19.5	$11.3	119.0	$89.2
1991	20.0	$14.7	122.0	$105.6
1992	22.9	$21.2	139.2	$141.2
1993	21.1	$18.2	135.6	$128.7
1994	20.4	$18.2	129.1	$128.2
1995	17.6	$14.6	123.5	$121.6
1996	18.5	$14.4	124.1	$112.4
1997	20.4	$19.3	128.7	$136.3
1998	17.9	$22.9	115.8	$143.2
1999	19.7	$20.0	133.2	$138.4
2000	21.3	$25.1	141.0	$163.3
2001	20.7	$23.3	140.2	$161.6

Source: Statistics Canada

BC tomato exports to the US have grown exponentially and now exceed imports

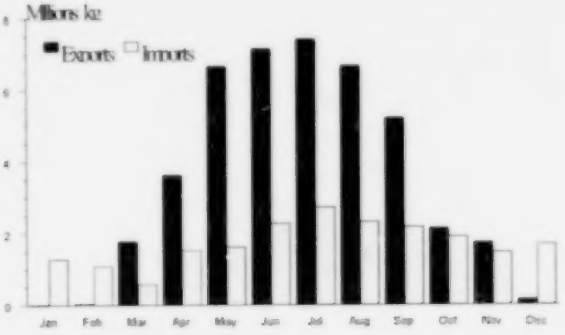


However, since Canadian tomato exports are mostly greenhouse-grown tomatoes, which are priced significantly higher than field-grown tomatoes, the balance of trade in tomatoes has been in Canada's favour for the last four years in value terms. Similarly, BC has had a trade surplus with the US in terms of the value of tomatoes traded for the last six years. The price difference is quite obvious if the value of exports and imports are divided by the respective quantities. In 2001, the unit cost (per kg) of BC exports to the US was $2.39, compared to $1.12 for imports from the US. Some of this difference is due to slight measurement differences in the value of exports versus imports (e.g., which transportation costs are or are not included), but, for the most part, the difference is due to the variation in quality.

Tomato trade follows a seasonal pattern

The growing season for greenhouse tomatoes in BC is more or less yearlong, but the prime harvest months are in the summer. This fact is reflected in the seasonality of BC tomato exports to the United States. Imports from the US also follow a seasonal pattern, but to a much lesser extent. This is because most of BC imports come from California and Florida where the growing season is more evenly distributed throughout the year due to the warmer climate.

BC tomato trade with the United States is very seasonal



Tomato trade is restricted to a select group of states

British Columbia exports tomatoes all over the United States, but over 90 percent of them go to just five states: California, Washington, Connecticut, Texas and Florida. The distribution of states from which BC imports tomatoes is even narrower, with over 93 percent of imports cleared through BC originating in either California or Florida. In fact, almost two and a half times the quantity of tomatoes (by weight) were imported from Florida as all citrus fruit (for which Florida is famous) combined.

Top 5 US destinations for BC tomato exports, 2001

State	Quantity (Millions KG)	Value Cdn $Millions
California	16.2	$38.2
Washington	10.4	$29.5
Connecticut	5.6	$13.8
Texas	4.0	$8.2
Florida	2.3	$4.3

Source: Statistics Canada

Top 5 US origins for tomato imports cleared through BC, 2001

State	Quantity (Millions KG)	Value Cdn $Millions
California	12.5	$13.9
Florida	6.8	$7.5
Arizona	1.2	$1.5
Washington	0.1	$0.1
Pennsylvania	0.04	$0.1

Source: Statistics Canada

The US receives the bulk of Canadian tomato exports

Internationally, in 2001, Canada exported tomatoes to only four countries: the United States, Hong Kong, the United Kingdom and Italy. BC exported only to the first two of those, and was the lone Canadian supplier to Hong Kong. BC was responsible for 39 percent of Canadian tomato exports to the US. For both BC and Canada as a whole, the United States represented 99.9 percent of the tomato export market, which underlines just how important this trade dispute is to Canadian tomato growers.

Canada is an important market for American tomato producers as well, as approximately 79 percent of all US tomatoes exported in 2001 headed to Canada[4]. Tomatoes exported to Canada amounted to somewhere between 8 and 10 percent of all American tomato production[5].

BC tomato growers depend on the US market

For British Columbia tomato growers the American market is particularly crucial. According to industry officials, 80 percent of tomatoes grown in BC are exported to the US. If the American allegations were true and BC greenhouse tomato growers were dumping their produce in the US market at prices below the cost of production, this would mean that BC tomato growers would be losing money on the large majority of tomatoes they sold.

A more likely scenario is that greenhouse operators in BC have had a head start on their competitors south of the border and over time have developed efficiencies in their operations such that they have lower production costs than those relatively new to the industry. Also, the climate in BC, while mostly unsuitable for growing field tomatoes, is perfectly suited to growing tomatoes in greenhouses, which means BC growers achieve good crop yields at lower costs for environmental control. As a result of these lower production costs, BC growers have a competitive advantage and can afford to sell their produce at prices lower than their competitors.

American greenhouse tomato growers point to declining market shares, falling prices, and reduced profits as indications that the Canadian industry has been dumping its product in the US market and is inflicting material injury on the US industry. The Canadian industry claims that they are taking advantage of the North American Free Trade Agreement (NAFTA), using their competitive advantage to gain market share in the US. As for falling prices, the Canadians suggest that the abundance of field tomatoes grown in the US has driven prices down for tomatoes in general, including those grown in greenhouses.

While it is beyond the scope of this paper to determine whether or not Canadian greenhouse tomatoes are being dumped in the US market, common sense suggests that the industry could not survive if it was selling its product in its main marketplace at below the cost of production. Unfortunately, the US Department of Commerce does not see it that way. It is difficult to say whether the provisional duty imposed by the CCRA will help the Canadian industry deal with the duties on their product. In the end, as is the case with most trade disputes, it will likely be the consumer that pays as costs endured by the producers are passed on in the form of higher prices.

[4] US Department of Commerce.
[5] Based on production data from the US Department of Agriculture National Agricultural Statistics Service.

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BC at a glance . . .

POPULATION (thousands)	Jan 1/01	% change on one year ago
BC	4,108.0	0.9
Canada	31,185.8	0.9
GDP and INCOME		
(BC - at market prices)	2000	% change on one year ago
Gross Domestic Product (GDP) *($ millions)*	127,564	5.8
GDP *($ 1997 millions)*	124,464	3.9
GDP *($ 1997 per Capita)*	30,664	3.1
Personal Disposable Income *($ 1997 per Capita)*	19,029	3.1
TRADE ($ millions)		
Manufacturing Shipments (seas. adj.) Feb	2,801	-5.6
Merchandise Exports (raw) Feb	2,145	-23.2
Retail Sales (seasonally adjusted) Jan	3,279	7.0
CONSUMER PRICE INDEX		% change on
(all items - 1992=100)	Feb '02	one year ago
BC	115.9	2.9
Canada	116.9	1.5
LABOUR FORCE (thousands)		% change on
(seasonally adjusted)	Mar '02	one year ago
Labour Force - BC	2,131	1.0
Employed - BC	1,940	-1.6
Unemployed - BC	191	37.6
		Mar '01
Unemployment Rate - BC *(percent)*	9.0	6.6
Unemployment Rate - Canada *(percent)*	7.7	7.0
INTEREST RATES (percent)	Apr 10/02	Apr 11/01
Prime Business Rate	3.75	6.75
Conventional Mortgages - 1 year	5.00	6.80
- 5 year	7.30	7.50
US/CANADA EXCHANGE RATE	Apr 10/02	Apr 11/01
(avg. noon spot rate) Cdn $	1.5933	1.5620
US $ *(reciprocal of the closing rate)*	0.6282	0.6398
AVERAGE WEEKLY WAGE RATE		% change on
(industrial aggregate - dollars)	Mar '02	one year ago
BC	663.44	2.0
Canada	647.71	2.7

SOURCES:

Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada

Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics

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BC STATS, Ministry of Management Services, Box 9410 Stn Prov Govt, Victoria, B.C. V8W 9V1
Tel: (250) 387-0327 Fax: (250) 387-0329 Web: http://www.bcstats.gov.bc.ca E-mail: BC.Stats@gems8.gov.bc.ca